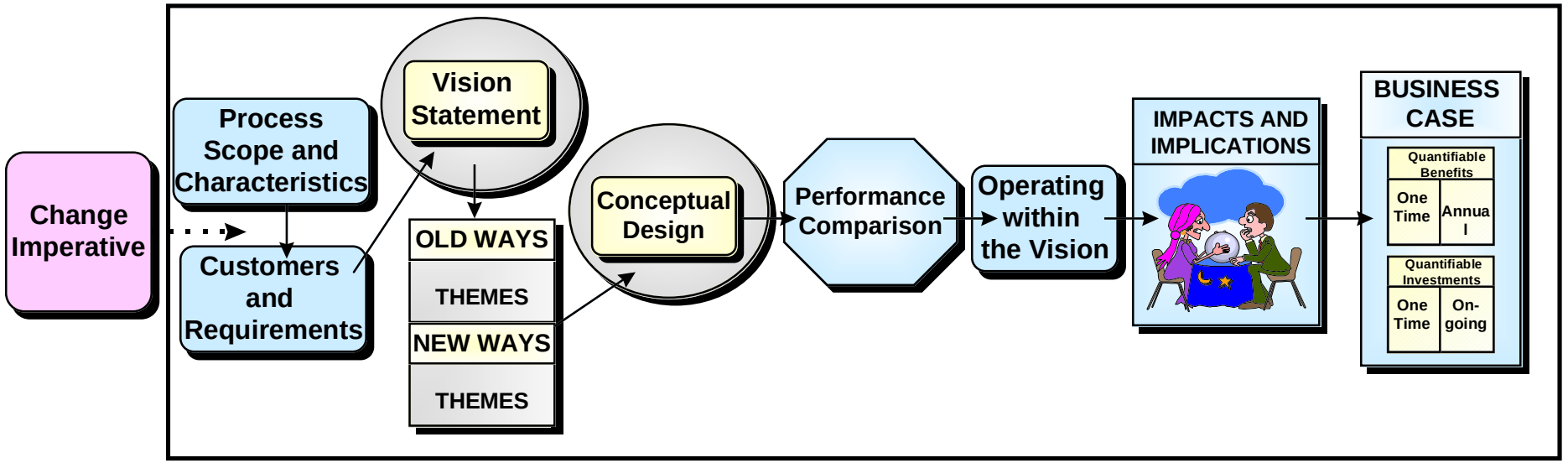
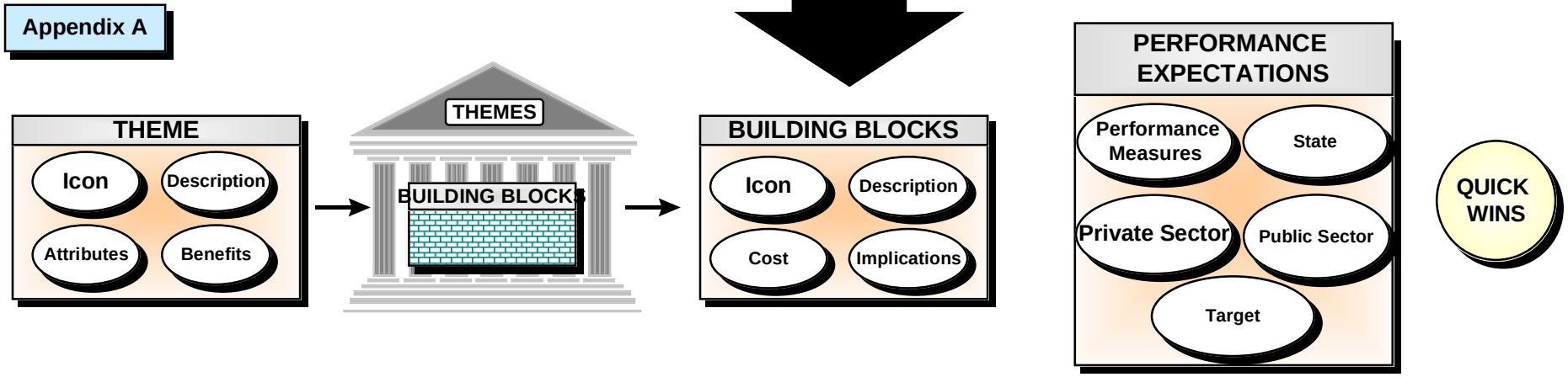
# C. Payroll & Benefits Administration Process Vision

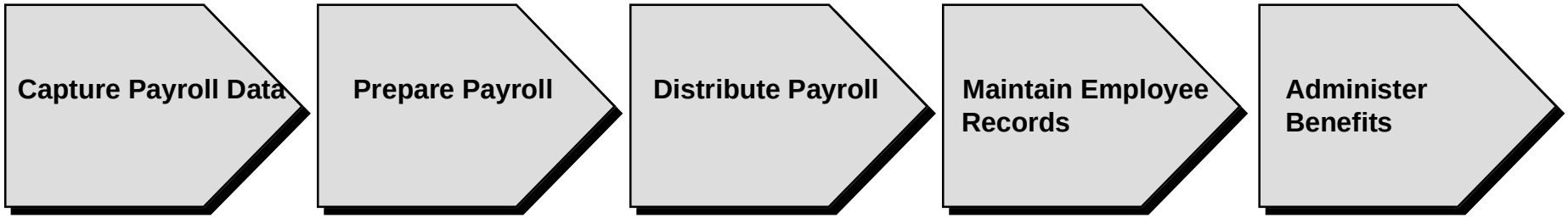



Appendix A



# Process Scope and Characteristics

**At a high level the payroll process within the State is made up of 5 distinct sub-processes:**




Major activities:

- Collect timesheets
- Enter time\leave records
- Edit time and leave records

Major activities:

- Receive time from agencies
- Edit of time transactions
- Calculate pay and produce reports

Major activities:

- Produce payments and prepare EFTs
- Validate warrants for sequence, sorting, and distribution
- Distribute payments

Major activities:

- Maintain basic employee data
- Track payroll related data ( pay rate, leave, longevity, etc...)

Major activities:

- Explain benefit options
- Set up payroll deductions
- Maintain benefit related data

**The payroll process within the State includes all of the payroll activities beginning with supervisors collecting completed timesheets to distributing payments to employees. This process also includes benefits administration.**

# Customers and Requirements

**The current payroll process focuses mainly on meeting legislative requirements. The new process will focus more on what customers value while ensuring legislative requirements are met.**

| CUSTOMERS | WHAT THEY VALUE |
|---|---|
| The Public | • Easy access to government salary information |
| Employees | • Exception based time entry<br>• Accurate, timely receipt of pay<br>• One stop shopping for benefits and payroll information<br>• Speedy and expert advice on a variety of benefits and payroll information |
| Managers | • Simplified review and approval of time and the ability to track labor distribution<br>• Reporting capability that is specific to their needs<br>• Focus on higher value added activities which better serve the agency's mission |
| Governor and Legislature | • Efficient government<br>• 'Openness in Government' |
| Suppliers (service providers, banks) | • Timely, accurate payments and information<br>• Single point of contact for information<br>• Systems that are easy to link to and/or integrate with |

# Vision Statement

**"The payroll and benefit administration process will produce timely and accurate information and payments. It will feature an integrated, paperless, and user friendly system that is accessible yet secure and can respond to unique agency needs. A shared services center will be created to standardize transaction processing and consolidate effort to lower cost. The State will also operate as a single employer and will harmonize policies and procedures to serve its customers more effectively."**

# Old Way Themes Vs. New Way Themes

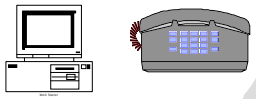
**The State will experience a significant shift in thinking about the way payroll processing is undertaken.**

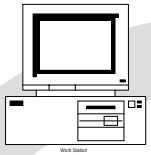
| OLD WAY | | NEW WAY |
|---|---|---|
| • Inflexible, fragmented and labor intensive processes are time consuming and cumbersome. | → | • Flexible, simplified, highly automated and paperless processes that are adaptable to meet changing needs. |
| • Systems are not integrated, are not accessible to many stakeholders and lack effective reporting capability and do not have effective built-in edits. | → | • An enterprise-wide, user friendly and secure system that features custom/ad hoc reporting capability on accurate and timely data and built-in system edits. |
| • Redundancy and conflicting policies/procedures among the agencies. Agencies are treated as separate employers and no leveraging of information and skills among the agencies. | → | • Promotion of State of Montana as a single employer with consistent policies and shared resources. |

# Conceptual Design

**The new design will feature data entry at source without formal approvals, minimal manual effort, self-service reporting, public access, and a shared service processing center with direct links with external service providers.**

**Employee** enters time and project data using a variety of technologies.





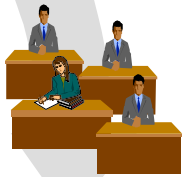
**Supervisors** receive a summary report of time and project data entered.

**Swipe**

**Managers** have the information they need to manage at their fingertips when they need it.

**Executive Decision Support**

**Enterprise Application System**



**Shared Services Center**
provide transaction processing service; produce and distribute pay and make remittances to third parties; develop related state-wide reports; interact day-to-day with payroll and benefit providers; and support all customers with one point of contact expert advice.

**Employee** maintains specific information related to personal data, tax data, and benefits data.

**PCs and/or other online devices**

**Public** can access relevant agency and payroll information via the Internet.

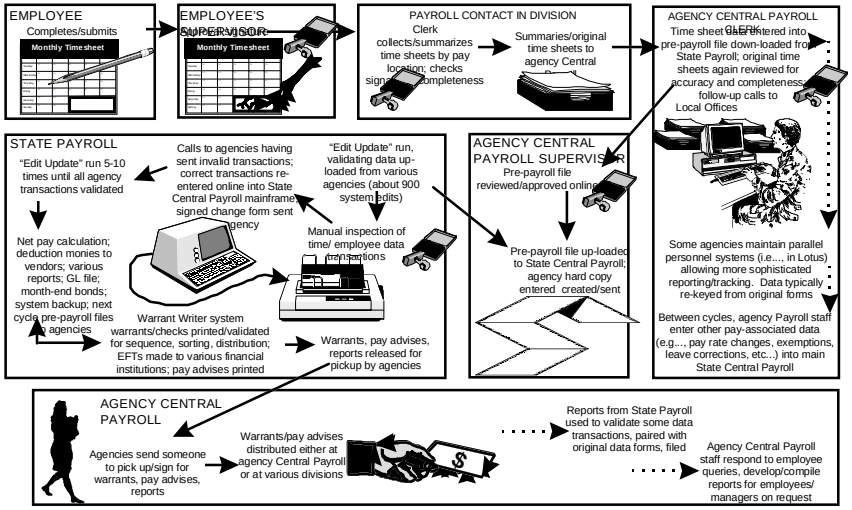
**Internet Access**

**EDI** to Vendors

**EFT** to Financial Institutions

# Performance Comparison

## Implementing a new model will reduce effort, cost and cycle time by at least 50%.

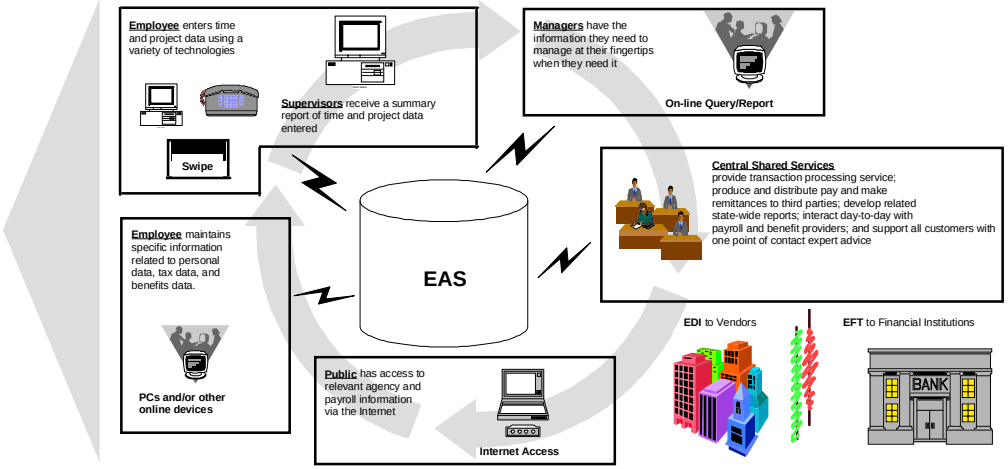



**'As-is'**

- 900 people directly involved
- 40 FTEs
- 5 approvals of time
- 20 steps
- 10 day cycle time
- $7.25 processing cost per payment

**'To-be'**

- 10-15 people directly involved
- 10-15 FTEs
- No formal approval of time
- 5-6 steps
- 5 day cycle time
- $3.00 (or better)processing cost per payment



# Operating within the Vision

**The vision of the new payroll PROCESS leads to much simpler, faster, more efficient, and less costly operations.**

| CHARACTERISTICS | BEFORE | AFTER | BENEFITS |
|---|---|---|---|
| Number of Steps | About 20 steps | About 5-6 steps | • Simpler<br>• More efficient<br>• Faster<br>• Lower Cost |
| Number of People Involved | About 900 people representing 40 FTE | About 10-15 people and 10-15 FTE | • Less fragmentation<br>• Lower cost<br>• More efficient<br>• Freed up resources |
| Number of Approvals | About 5 manual approvals | Zero formal approvals | • Simple<br>• More efficient<br>• Faster<br>• Lower Cost |
| Accountability for Accuracy of Time and Benefit related data | Fragmented responsibility throughout the process | Accountability at source, e.g. the employee | • Less effort to correct errors<br>• Faster<br>• Lower cost<br>• More efficient |
| Flexibility | Defined work steps within rigid time frames | Agency specific processes designed to meet unique needs | • Meets agency needs<br>• Eliminates spikes in work load at central processing |

# Operating within the Vision

**The vision of the new payroll SYSTEM incorporates integrated, timely, accurate, and accessible information.**

| CHARACTERISTICS | BEFORE | AFTER | BENEFITS |
|---|---|---|---|
| Integration | Disparate stand alone systems linked through a variety of interfaces | An integrated enterprise-wide database | • Shared systems, common across Government<br>• Effort is focused on planning and delivering programs rather than maintaining systems |
| Flexibility | Inadequate and out dated functionality | Software that meets business requirements and is easily configured to meet changing needs over time | • Modular characteristic of EAS packages allows flexibility in design, implementation and use<br>• Technology is scaleable to allow for increased transaction volumes over time |
| User friendliness | Hard to learn and use | Intuitive and easy | • Windows-based user interface with a common look and feel across all modules<br>• Point and click functionality<br>• Extensive online help<br>• On-line warnings and edits |

# Operating within the Vision

**SYSTEM cont'd.**

| CHARACTERISTICS | BEFORE | AFTER | BENEFITS |
|---|---|---|---|
| Accessibility/Security | Limited access | Broad sharing of information | • Broad accessibility and sharing of information among stakeholders<br>• Security based on user defined requirements<br>• Security at the 'screen' level |

# Operating within the Vision

**The vision for the new payroll ORGANIZATION DESIGN and POLICY STRUCTURE results in the State as one employer leveraging shared resources, technologies, and information.**

| CHARACTERISTICS | BEFORE | AFTER | BENEFITS |
|---|---|---|---|
| The Extent of Centralization | Redundant processing<br><br>Varied policy and practice among the agencies | Shared services processing at the State level<br><br>Consistent policy at the State level | • Reduced duplication of effort<br>• Improved economies of scale<br>• Shared information across agencies, managers, employees and stakeholders<br>• Better skill specialization<br>• Better leveraged technology investments through standardization<br>• Consolidated reengineering efforts leading to ongoing improvement<br>• Improved transaction processing standards<br>• Allow agencies to concentrate on core competencies and focus on value-added activities |

# Operating within the Vision

**Employees will experience changes in the way they track and report time and the way they manage their own benefits and personal data.**

## Time Entry

The table to the right represents the combinations of employee types and time entry methods:

- Standard hours and funding sources refers to employees who have little variation in data entry from pay period to pay period
- Exception entry includes entry for things such as sick and annual leave, compensatory time, etc.

| Type of Employee / Method of Entry | Default Time Entry | On-line within EAS | Peripheral Technologies (such as IVR) |
|---|---|---|---|
| Standard hours and funding sources with access to PC | ● | ● (for exception entry) | |
| Standard hours and funding sources without access to PC | ● | | ● (for exception entry) |
| Non-standard hours and funding sources with access to PC | | ● | |
| Non-standard hours and funding sources without access to PC | | | ● |

## Benefits and Personal Data Maintenance

Employees will be able to retrieve and maintain their own data electronically:

- benefit open enrollment
- new hire information processing
- benefit and claim status
- personal data changes and inquiries

***Today***

- Employees are bounced back and forth between their manager and HR when they ask simple questions like, “How much sick leave can I use for maternity leave?

***Impact***

- The employee spends up to 2 hours of work time obtaining an answer to his/her question and becomes very frustrated in the process, resulting in lower productivity and morale. An accessible system coupled with a service center could answer the question in 5-10 minutes.

# Operating within the Vision

**Supervisors and Managers will spend far less time collecting and tracking data and much more time managing resources with enhanced tools.**

**Supervisors will no longer be required to collect, review, and then sign-off their employees timesheets.**

- Employees track and report own time and project costing data;
- Supervisors receive summary time reports each pay period; and,
- Supervisors receive online notification of events requiring their attention such as time entry which falls outside of logical edits.

**Supervisors and Managers will have the ability to directly access the employee database.**

- Supervisors produce ad hoc queries and reports to budget, forecast and manage employees, etc.; and,
- Supervisors can navigate the system online to find the information they need when they need it.

# Operating within the Vision

**Other stakeholders will be able to access timely, relevant, and accurate data as they need it.**

**The Public will have access to information.**

- Through the Internet they can gain access to the information they now have to contact a State resource to obtain.

**Legislators will have access to accurate data in real time.**

- They will be able to produce their reports and budgets using data that is clearly defined (e.g. base positions vs. modified positions).

**Third parties such as banks and benefit providers will be electronically linked to the database.**

- Information feeds such as EFT and EDI using the Internet as a communication tool will be established to provide efficient and cost effective transaction processing data, such as employment verification, to share in real time, avoiding delays and adjustments in future periods.

# Impacts and Implications

**The new vision revolutionizes the processes, centralizes the effort, and reduces costs dramatically.**

- Agencies will no longer have a dedicated central payroll function but will be supported by a shared service center.
- Payroll FTEs will be reduced by 75%.
- Only employees with non-standard hours or those employees who need to make exception entries will be required to enter a timesheet.
- Time entry approval will apply on an exception basis only - the system will police data entry by establishing appropriate logical edits.
- Employee are responsible for and are accountable for the accuracy of time and project costing data entry.
- Forms, timesheets, reports, etc., are all online.
- Direct deposit is standard; otherwise EFT to a bank where people will need to go to pick up their check/pay.
- Potential legislative and labor agreement changes to address timesheet and related issues.

# Business Case - Quantifiable Benefits

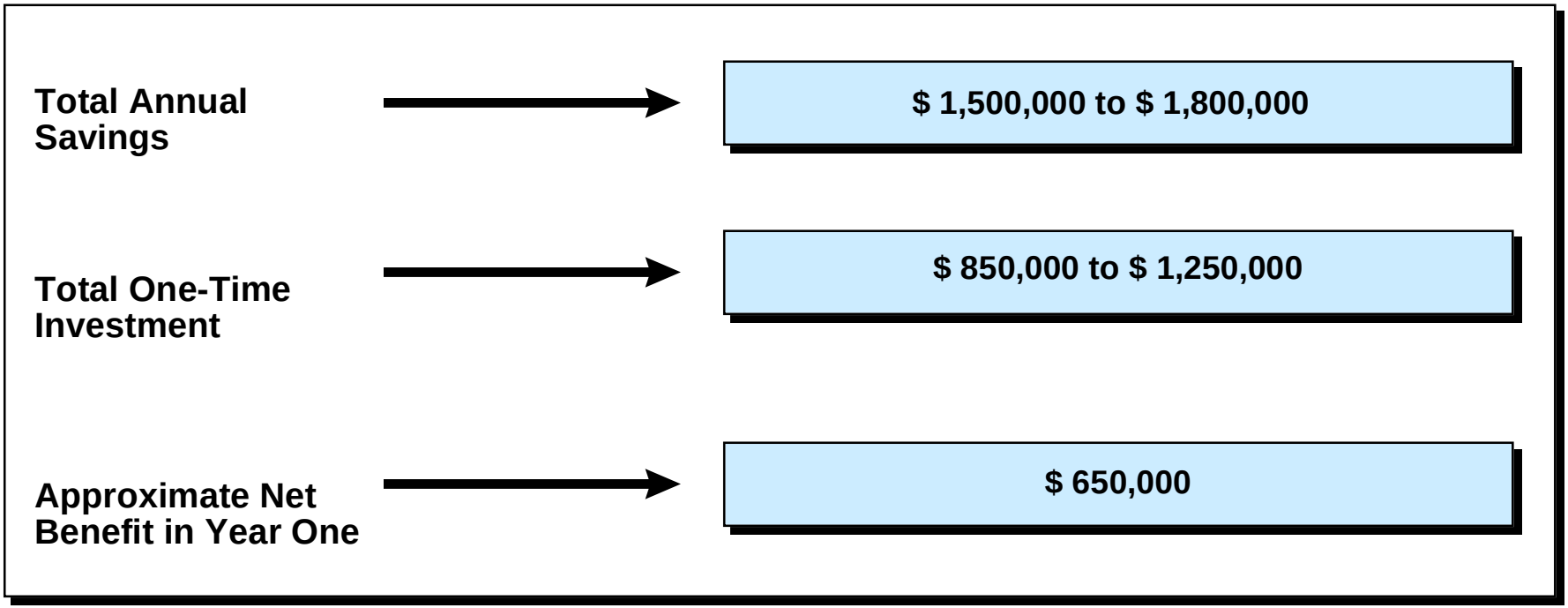
**The State can take advantage of significant savings by embracing the vision of a shared service center utilizing state of the market technologies and tools.**

| SAVINGS | AMOUNT | COMMENTS |
|---|---|---|
| Labor Cost Savings | **$800,000 to $960,000** | 25 to 30 FTEs eliminated at an average of $32,000 per FTE per year. |
| Overhead Savings | **$200,000 to $240,000** | 25% of Labor Cost Savings |
| Operating Savings | **$500,000 to $600,000** | Cost to operate Payroll portion of PPP plus agencies internally developed sub-systems (assuming payroll comprises 74% of total PPP operating costs) |
| **Total Annual Savings** | **$1,500,000 to $1,800,000** | |

# Business Case - Quantifiable Investments

**To take advantage of significant savings the State will need to make some additional one-time investments.**

| SAVINGS | AMOUNT | COMMENTS |
|---|---|---|
| Shared Services Center | **$350,000 to $500,000** | Cost to renovate a new facility, technology costs including set up on LAN, PCs, telephone and headsets, implementation expenses, training, recruitment/hiring, transition costs, redeployment/restructuring, general project administration, expenses, and other items |
| Peripheral Technologies | **$500,000 to $750,000** | EDI, EFT, IVR (includes hardware, software, and implementation) |
| Total One-Time Investment | **$850,000 to $1,250,000** | |

# Business Case - Net Benefit

**The State stands to benefit even during the year it makes the investment in the shared services center and the additional technologies.**